

**Wai'ola O Molokai
Molokai Public Utilities Inc
Mosco Inc
745 Fort St #600
Honolulu, HI 96813**

PUBLIC UTILITIES
COMMISSION

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May 30, 2008

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, Room 103
Honolulu, HI 96813
Attention: Stacey Kawasaki Djou, Esq.
Ms. Karen Higashi

Re: In the Matter of Molokai Public Utilities, Inc. ("MPUI"), MOSCO, Inc.
("MOSCO") and Wai'ola O Moloka'i, Inc. ("Wai'ola")

Dear Commissioners and Staff:

I am writing on behalf of Wai'ola O Molokai Corp. ("Wai'ola"), Molokai Public Utilities, Inc. ("MPU") and Mosco, Inc. ("Mosco"). Each of these companies is the holder of a certificate of public convenience and necessity that you have issued. Wai'ola and MPU have approximately 1200 customers for the water that they provide to residents of Molokai.

For a significant period of time, neither Wai'ola nor MPU has generated revenues sufficient to pay its operating expenses. On March 24 of this year, representatives of our parent company, Molokai Properties, Limited ("MPL") met with the Public Utilities Commission to inform it that MPL would provide the financial support needed to cover these operating deficits only for a limited period of time. MPL sought the Commission's assistance in disposing of Wai'ola and MPU within six months.

Since that meeting, MPL has conducted meetings with Molokai resident associations, the Mayor of the County of Maui and representatives of the State of Hawaii in an effort to transfer the assets and operations of Wai'ola and MPU so that services would not be interrupted. We regret to say that those efforts have been unsuccessful. There is an obvious reluctance of those parties to take on the litigation with respect to water allocations and the other financial burdens associated with the operation of Wai'ola and MPU.

Recently a Supreme Court decision required MPU to re-apply to the State Commission on Water Resources for a permit to operate Well 17. This has confronted MPU with a dilemma. It does not have the funds to make that re-application, although it wishes to comply with the court's directive and to avoid any disruption of operations. This is an unsatisfactory situation that we lack the means to remedy.

While MPL was operating Molokai Ranch, the Ranch used water furnished by Wai'ola and MPU. MPL therefore provided Wai'ola and MPU with the funds necessary to cover the substantial deficit between the utilities' revenues and their operating costs. However, with the closing of the Ranch, Wai'ola and MPU have been advised by MPL that, after August of this year, MPL will cease providing them with funds. This will make it impossible for Wai'ola and MPU to continue in operation after August.

Although we have looked at the possibility of requesting rate increases sufficient to make Wai'ola and MPU self-sustaining, we simply do not have the funds necessary to go through such lengthy and costly proceedings.

We are therefore sending this letter to provide notice to the Commission, the County of Maui, the State of Hawaii and the customers of Wai'ola and MPU that, unless some public or private entity is located to take over the operations of these three companies by the end of August, there will probably be an unavoidable termination of services to those customers. Wai'ola and MPU and Mosco are ready to cooperate fully in the surrender or transfer of their certificates, and in any transfer of the assets of the companies.

Our goal is to do all that we can to avoid any disruption of service, and we look forward to working with the Commission and other public or private entities toward that objective.



P.A. Nicholas
Director

c.c. Honorable Linda Lingle, Governor, State of Hawaii
Honorable Charmaine Tavares, Mayor of Maui
Chairperson Laura Thielen, Board of Land &
Natural Resources